

Exhibit E

TRANSCRIPT OF INTERVIEW
OF STEPHEN SOKOLOWSKI BY LAURA SHIN
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Laura Shin: Hi everyone. I'm here with Steve Sokolowski, chief technology officer at Prohashing. And I actually know Steve from years ago *um* but I haven't talked to him in a long time and I've seen him be pretty active in the discussions around Genesis's bankruptcy. So I figured I'd reach out - and it turns out he also has, *um*, certain grievances with what has happened with the BlockFi bankruptcy, *um*, which we can go over. So, Steve, *um*, I leave it up to you kind of how you want to tell the story. Would you want to start with BlockFi first?

Stephen Sokolowski: *Uh* yeah, I - I could talk about BlockFi first or I could talk about Genesis too. Thank you for interviewing me, Laura. I think that the key thing to understand about this whole lending industry is that it's pretty much all built upon lies and misrepresentations - sometimes outright fraud all the way from the top down at - at pretty much all of the companies. And many of the journalists who are reporting on this are making it sound like this is an isolated incident, like that *you know* it was only Genesis that had this one point one billion dollar promissory note or maybe only some other company. But, in reality, the whole industry it turns out was probably misrepresenting most of what they were offering to their customers.

Laura Shin: All right, so, yeah, why don't we - so I think chronologically at least for you the story, *um*, starts with BlockFi. Am I right about that or...?

Stephen Sokolowski: *Uh* actually it starts with Genesis. *Uh*, I was lending to Genesis for, *uh*, a long time - *uh*, since early 21, and I started talking to BlockFi around September of 22, when our term loans were expiring and I was doing a lot of research around that time to compare all of the companies.

Laura Shin: Oh okay, so then let's start the story with Genesis. Tell us, *yeah*, how you started working with them and what your relationship was and what you discovered.

Stephen Sokolowski: So, I, *uh*, work with a - a fund, which consists of me, and my brother, and Prohashing's reserve, like the money that the company uses to pay bills and things like that - some of that, and two other people *uh* who are involved in it. And, we began lending money to Genesis early in - in 21, continued with that through, *uh* 22 we lent them - at one point the total amount had gotten up to about 20 million and at the time in September of 22, when all of the - the misrepresentations and - and lies were being made, it was around seven or eight million dollars or so at that point. And, I did quite a bit of research at that time, basically spent the entire month of September of 22, researching these companies because *you know* it was a lot of money and we wanted to be sure when to diversify our investments across - across as many companies as possible. *Uh* you know, and we - I did the research, I searched for documents, I talked to people,

talked to Zach Prince, I'll talk about in a little while, and came up with a whole bunch of documentation about both companies.

Laura Shin: All right, so, yeah, tell us a little bit about, *you know* kind of, what your due diligence was on Genesis and how you started working with them and, *you know*, what kind of relationship you entered into.

Stephen Sokolowski: So, with Genesis, I asked them to see their company balance sheet. I asked BlockFi for this as well. And, I received a balance sheet that listed their - their top 10 lenders, and my understanding is that this balance sheet was presented to a number of other customers, perhaps to Gemini although I don't know whether it was that or some other sheet that was similar to it. And, it showed not the names of the customers, but what the percentages of loans were out, how much was collateralized. It also listed their assets. They listed "current assets" - that exact phrase - "current assets" in one column, and then liabilities, and in another column, and then they added them up and then it showed that they had positive equity which indicated that they were a solvent company.

Laura Shin: Okay and this was when again?

Stephen Sokolowski: *Uh* and this was in - I was presented that sheet on September 21st of 2022.

Laura Shin: Wait I'm sorry. That was Genesis or BlockFi? I thought you said that you...

Stephen Sokolowski: That was Genesis. So, BlockFi also saw sheets for in that same week. *Uh* but if you're asking about Genesis that was the Genesis sheet that I was presented in September of 22 so, *uh*, there – of - on that sheet there was a row that said other assets on that sheet. In - in a significant amount, which was like one point, *uh, you know*, six or seven billion or something like that. And it was listed under current assets. So my interpretation of that was I was offering Genesis a one-year loan or considering offering them a one-year loan, and since that's a current asset, that means that all of the assets that are listed in that column should be able to be called before my one-year loan is due. And, apparently now it turns out that one of their assets is this 10-year promissory note to Digital Currency Group, and, if that was listed in the one in the current assets then obviously they do not borrow - I've never heard of them ever borrowing from a customer for 10 years. So how can they say that they are solvent when they borrow from customers for one year, and then their loan - their books are backed by a 10-year loan that is at, apparently, and no I can't say this for certain, but apparently it's - it's rumored that it was at a very low interest rate like 1.1 percent or something like that.

Laura Shin: Right. And then, *um*, did you ever confirm that that 1.7 billion dollars in current assets was the one, *you know* - was comprised of that promissory note and then the additional, *um* - I guess it was a - a loan that was due in May of this year?

Stephen Sokolowski: They - they will not confirm that, but they will be publishing the - they do have by law to publish their assets and liabilities in the bankruptcy docket. *Uh*, I'm told that that'll be in March. Ram Ahluwalia, who you've interviewed, had a Twitter space yesterday and so he believes that'll be published in March. So we will know for certain whether that, *uh* - that note was published in the - is part of those assets. And if it is, then, *you know*, obviously that document was not a true representation of what Genesis actually had on their books. They were not solvent in that one-year time frame and I would never have invested with a company that was saying that they were - *you know* - that they were going to be able to make money over 10 years in the cryptocurrency industry. Who would - who would trust Digital Currency Group to be good on its loans in 10 years in this industry? You know, companies go belly-up constantly.

Laura Shin: Right. And just to *um, like*, fill in part of it. You said that you had actually started your conversations with Genesis in 2021, but - but then when I asked you about the relationship, you only mentioned what happened in September 2022. So, what happened in between those times?

Stephen Sokolowski: So, in between those times I was just talking with them and I did not see that sheet. So, when the Three Arrows collapse happened, I talked to them during that week, and I - I asked them - this was after their tweets on, I believe it was June 17th, when Michael Moro said that they had - the Digital Currency Group had assumed the liabilities and that essentially everything was fine. So I asked them how - how things were - *you know* - what was going on at the company, and *uh*, they said *you know* everything is fine during - during that time.

Uh, if you feel that the risk is too high at - at this time *you know* for the rates you're getting, then we can offer you a significantly higher rate if you lock the loans in for a brief period like a locked term not a year-long loan. In this case, it was three months.

So, *you know*, I talked with them and decided, *uh*, we think that it's okay for three months and then I want to see, *you know*, then I - I wanted to see all of this documentation when we were renewing. So that's why, when the end of August came around I started doing a ton of research into BlockFi and Genesis, and, *you know* started asking for this documentation. And, *you know* unfortunately it turns out that - that both types of the documentation appears to have not been telling the whole truth.

Laura Shin: And so, *um*, - just so I understand. So you started doing research into crypto lenders in 2021, but you didn't actually invest any money until after the Three Arrows collapse?

Stephen Sokolowski: No, we invested money then, and the entire time, *you know*, I was being told that everything was fine, that, *you know*, nobody ever said anything about this GBTC trade for example, right? So, if any - if anybody had said something about that, I probably also would have not - not gone with Genesis either. So, I should have in the beginning, maybe specifically asked them, are you doing, *you know*, GBTC trades or something like that. But, in my opinion, *you know*, I - I think that there's also some sort of *uh*, *you know*, obligation that you should maybe, *uh*, be a little bit more honest about your business practices. I mean, obviously everybody tries to make a sales pitch, right? But you also, should -

shouldn't be misleading customers about, *you know*, how ev - about how we're - we're, *you know*, just kind of like making loans and then, *you know* charging a higher interest rate and, *uh*, - and, *you know*, spread - pocketing the difference. I mean, that was my understanding of what these companies were doing, and it's pretty clear that that was not their entire or even their primary business model to just borrow money and then lend it out at a higher interest rate.

Laura Shin: Okay, *um*, so one thing that I need to understand is, so you - you had successfully lent money to Genesis, *um*, and then after Three Arrows, *um*, did you perceive that any money that you had lent them was at risk in any way or - or no?

Stephen Sokolowski: Well, I asked them about that. *You know*, I thought that, *you know*, well, I got to investigate this. But see, *you know*, Genesis was "the" prime lender at the time, right? I mean nobody would have thought that Genesis of all places was the one that would fail. *You know*, I thought, well, *you know*, Nexo seems kind of strange because I researched them and they have company tokens. *Uh, you know*, Crypto.com has company tokens and they have these ridiculous interest rates at, *uh* - with their, *uh* - with their credit cards, I believe. And you know I - I wrote posts about this all my research that I did in 21. I hadn't seen the balance sheets at that time, but I ruled out a lot of other lenders because of all these crazy schemes. But Genesis didn't have any company tokens, they were backed by Digital Currency Group, which - which had a Bit License and everything like that. They operated in New York. Genesis is in Park Avenue. *Uh, you know*, there - there was no - there's - there's nothing that really indicated to them that they were

violating any rules or regulations. Or perhaps what we're finding out is that even if all these companies did adhere to every rule or regulation, it simply would not have prevented this - the rules were insufficient. I don't know. But whatever the case is, Genesis was the prime lender in the industry. And, *you know*, it was unthinkable to all the people who I talked to at the time that Genesis would be involved in this sort of thing.

Laura Shin: Yeah, and a disclosure for the audience, my - one of my former sponsors is Nexo and a current sponsor is Crypto.com. So, one thing then, you know, that I - so now we we've kind of covered that period of what happened, *um*, before I think things started to really go south for you and you have this extensive blog post about conversations you had with BlockFi in September and you also now have talked a little bit about your conversations with Genesis in September. So, tell us, *um, you know*, I guess what you haven't yet told us about BlockFi and then, *um*, - and then we can go to the point when, *yeah*, afterward you realized that maybe, *um*, certain things were not represented accurately.

Stephen Sokolowski: So, with BlockFi, the way I actually found out about this whole industry was by lending some money to BlockFi early in - in 21 but I withdrew it and then hadn't really had anything to do with BlockFi for the next year and a half. *Uh*, in August though, I - I was doing the research and was contacted by one of BlockFi's salespeople and they had - were talking about, *you know*, different *uh*, - different loan terms they had and everything like that. And their rates were more attractive than Genesis so I wanted to understand exactly why it is that they could offer more attractive rates than Genesis. My conclusion at

the time was that after doing the research I thought was the reason their rates were more attractive is because they had more uncollateralized loans than Genesis did and so that extra rate was - was paying essentially for the risk because there were more secured loans at Genesis.

Uh, but *uh*, - so they contacted me. I - I talked with them pretty much throughout like the first two weeks of September, because our loans were about to become due towards the end of September, *uh*, when they expired on September 20th. So, before this I started an email thread, which I posted, with a few things like the - the person's phone number redacted and the conversation goes on for a while with some mundane stuff asking for their rates and so on. Then, *uh*, at - then I became concerned a little bit after reading more into their deal with FTX, because I thought that they seemed to be a little bit too intertwined or too dependent upon FTX. So, what I asked them in the email was I wanted to see, did BlockFi actually borrow any money from FTX because they had a credit line, and it was for 400 million dollars, and it's a lot different if they had borrowed the money already and had a - *you know*, had drawn that debt a lot and *uh* were dependent on them or whether they were independent but that that credit line was just there in case they, *you know* - some of their loans defaulted. And, I was told on September 21st, "we have drawn on this but paid it back since it's a revolving credit facility", and that was in the emails.

Then, after - after that, I continued to do some more research. I looked at BlockFi's balance sheets. *Uh*, they made no mention of FTX, they looked good. *Uh*, then a little bit later, I - a few days later, I basically though concluded that even though the balance sheets didn't mention FTX, there was still kind of a little too much uncertainty over that so I said, *uh*, in the emails that your balance sheets look good, but because the FTX deal closes during the fixed loan term, we believe that

the uncertainty introduced by that deal is more risk than, *uh* - than the spread between your and Genesis's rates. So, I basically told them that, *you know*, because of FTX, we're not really going to be, *uh* - we're not going to be lending to you. So I sent a message to Genesis after having seen their balance sheet, and said okay let's get a loan to you instead of to BlockFi. And, *uh*, then I was told in the next email, would you be interested in having a call with Zach Prince to further talk through the FTX deal and any other questions you may have? And so, I went to that meeting with Prince.

Laura Shin: And what did he say?

Stephen Sokolowski: *Uh*, the meeting was - was pretty long, so I don't want to bore you and - and all of your listeners. *Uh, you know*, he talked about - I was concerned about how many employees BlockFi had and, *you know*, whether that was going to increase their cash burn. I - they - he talked about the SEC a little bit, *uh* he talked about minor loans, *you know*, a whole bunch of other things that really aren't pertinent to this but then we also talked about FTX. And, so we - there were six people there, and three of us asked Zach Prince about what is the relationship between BlockFi and FTX. And, *uh*, he stated that Blockfi and FTX were independent entities. And, you can see that there's actually public tweets where his co-founder, Flori, stated the same - actually, the day after FTX, I believe, had, *uh*, - had started to encounter problems, or maybe it was a few days after that I'm not sure.

So I - I kept getting this reassurance that they were independent entities, and I also was led to understand that the FTX line of credit was not being used. And,

we know that - so this meeting took place on September 23rd, and we know in both the BlockFi and the FTX bankruptcy filings that they actually had drawn 250 million dollars from the credit line on September 30th. So, it's - it's probably likely that they had already drawn upon it. Or certainly if they had not, then they had to have known that they were going to draw upon it within the next few days. *Uh*, I - I just don't understand how - how the CEO of a company that is going to wi - to borrow 250 million dollars would not know about the, *you know* - that there were plans to do that in a call that was just a few days before that. So, I suspect that as the bankruptcies come out we'll probably find out that that loan was drawn before the 23rd, but even if it wasn't, then that was certainly a very misleading statement to say that they had not drawn upon that line or that they had drawn - sorry, to be specific, they had drawn upon that line and had fully paid it back.

Laura Shin: And, *um, so*, because of that call, did you then move money over from Genesis to BlockFi? Is that what happened?

Stephen Sokolowski: Yes. *Uh*, and I - I have that evidence there too. *Uh*, there's a person at Genesis who, *uh, you know* - I have the - the conversation with him. I mean, that was the reason because I talked with Prince, *uh* then all of the members of this fund, we - we got into a meeting after that and we all said Prince is trustworthy. *Uh, you know* - he - it seems like what he said was true. *Uh*, let's go and - and move the money so we moved money to BlockFi and - *uh* and it was solely based upon this call and those representations that *uh, you know* - that were made in the emails. And *you know*, again, I don't know whether the, *uh* - whether the people who were writing the emails were aware of the loan or not. *Uh*, so I - I

have no evidence to either implicate or exonerate the employees who wrote the emails, just to be clear about that.

Uh, but I - I guess it gets down to the logic here was that if FTX and BlockFi were independent companies, then - then both of them would have had to fail for separate and independent reasons if - if I was going to lose money. So, if - if Blockfi had trouble with their loans or something then FTX had 400 million dollars of junior credit ready to step in. And, if FTX were to fail, well then BlockFi hadn't actually borrowed anything from FTX just yet, and they didn't have any money in FTX custody, so therefore there wouldn't be any - any issues there I mean then one or the other company could fail and we would still be okay. And that was the main reason that we went with BlockFi because we had two companies that would have had to fail independently, and we just assumed that the odds of both companies independently failing were extremely low. And, of course, they - they would have been. Blockfi would not have - if they were independent, FTX would have failed and BlockFi would not, and I wouldn't have lost any money.

Laura Shin: Okay. So, *um*, presumably you didn't move everything from Genesis over to BlockFi, which is why, *um*, *yeah*, so as - as of the time of this recording, *um* you have not yet published, *um*, your allegations against Genesis, but why don't we go over those right now? So, tell us what your relationship was with Genesis after you moved at least some of the money to BlockFi.

Stephen Sokolowski: Yeah, so we moved about 3 million dollars to BlockFi and there was about 4 million dollars remaining at Genesis. And, *uh*, we - we had a few options, *you know*, - when we were doing this research. We were considering

either, *you know*, - we could have gone to more lenders, *uh*, we could have, *uh* - we could have moved money to BlockFi, we could have kept money at Genesis, or - or we could have, *uh*, one of the options was take like half the money out and keep half the money at Genesis or just go all out all together. So, we had all the options on the table. And, *uh*, *you know*, we came to this conclusion because we didn't think that the other companies were trustworthy. Like Ledn, for example, I did have a meeting with Mauricio de, *uh*, - de Bartolomeo, I'm sorry if I got that name wrong, Mauricio, if you're watching.

Laura Shin: Bartolomeo, yeah.

Stephen Sokolowski: And, *uh* - and John Glover, who's their risk management *uh* head. And, they told me that they were doing low-risk trades and *uh*, they *uh*, - they wanted to offer a lower rate, but they wouldn't present their balance sheet to me. So, that was the reason we didn't go with Ledn. I kept asking them for that balance sheet, and they wouldn't present it to me. So, really, the end result is that we were presented misleading balance sheets and that's why we went with these two companies because, *you know*, we were get - we thought that because these companies presented balance sheets that, *you know*, - that they were safer. As to Genesis, *you know*, the - the allegation is pretty simple. They present - I asked them for a balance sheet, they presented a balance sheet. It listed like 1.6 or however many billion dollars under current assets. And, if we find out in March that that loan - that promissory note, which is 10 years was represented as a current asset, then that balance sheet was false. That - that is not how accounting is done.

Laura Shin: Okay, yeah, yeah. *Uh*, those, *uh* comments and that analysis has been making the rounds on Twitter. *Um*, you know none of it has been confirmed, but obviously, *you know*, because of what the definition of a current asset is versus the terms of that 1.1 billion dollar promissory note it does seem likely that, *um*, DCG or Barry Silbert were, *um*, using kind of a different definition of current, *uh*, meaning, *you know*, we're current on paying this loan, *uh*, which is - which is funny because, - yeah it's just, *uh*, you know.

Stephen Sokolowski: Well, I also would dispute, I mean, maybe legally you could call it a loan but I would dispute that in common language that we would call what happened there a loan.

Laura Shin: Right, right.

Stephen Sokolowski: I mean, when do - when does a loan ever involve not actually giving somebody any money, right? When I take out a loan to buy a house, they give me money and then I use it to buy the house. I don't get some promise that they'll pay for the house in 10 years.

Laura Shin: Right, exactly. Yeah.

Stephen Sokolowski: And that's by the way what I understood their June 17th statement to - to read, that, *you know*, they - they took 1.1 billion dollars, *you*

know, and - and in exchange, they gave - they took the debt and they paid Genesis 1.1 billion dollars. Maybe I should have read between the lines or something like that in June, *you know*, but *uh*, I - I - that's a little dishonest to me that they didn't state exactly what happened at the time, and, *you know*, use these terms like they "netted against their balance sheet" or whatever the exact quote is.

Laura Shin: Okay, and is that the - kind of the main thrust of your, *um*, allegations against Genesis - the misrepresentations?

Stephen Sokolowski: Well, I mean it - it - I think the - the most obvious the - the most obvious fault is simply that if that promissory note is true and we're going to find that out, then this balance sheet that they presented to me is not true. I - I think that that's what it goes down to, *uh*, pretty easy. And, I don't know how many others were presented this balance sheet, but I would expect that there were many people who - who were presented this. I mean, the - the people inside Genesis told me that this was something that they present to people so I would assume that many people relied on this. And, I would assume that if they did present this to many people then that means that there is *you know* a lot more liability for, *uh*, for Genesis and Digital Currency Group than is - is being reported right now. And, *uh*, that was why I decided to sell my claim because I don't want to stick around in this bankruptcy and find out what is going to happen if - if Digital Currency Group goes to bankruptcy and, *you know*, all the chain reaction down the line there.

Laura Shin: Got it. Okay, what have I not asked you that you would want my listeners to know?

Stephen Sokolowski: Hmm.. Well, I, *uh* - I don't know. I think that the - as I said in the beginning I - I think that all of these companies are built upon kind of a - a flawed premise. And, *you know*, I - I think that there's - there's probably something wrong with - with today's blockchains. Maybe - maybe like they work fine for what they're designed for, *uh* you know they - they do fast, irreversible transactions. And, *you know*, that's fine for certain things. I'm - but the legacy system excels at getting rid of fraud because transactions are slow so there's time to get rid of, *you know* - time to reverse them and because they're reversible. So I - I don't know if today's blockchains have the sufficient technology to be able to prevent this sort of stuff from happening in lending.

You know, there - there needs - if you're going to have fast and irreversible transactions, then some other technology, which we probably can't conceive of right now, you know, *uh*, and - and it'll be developed someday I'm sure, needs to be developed to automatically detect this fraud or prevent it in some way, *uh*, because, I don't see this lending industry having any future. *Uh*, you can't just decide that you're going to put existing rules or regulations on it when anybody could take a cold wallet like a Ledger device out like this - you know, get the device, open it up, start typing in things on it, and now 250 million dollars is gone at some other company and you can't reverse that transaction. So, I - that's why I'm just not bullish on this idea that crypto lending will ever - will ever really grow into a legitimate industry.

Laura Shin: Yeah, well clearly after this past year there is a lot of questions about how to make this work, *um*, in a better way. So, *um*, yeah, I think a lot of

people would agree with you on that. *Um*, although obviously in DeFi there was a lot more, *um*, a lot more [*unintelligible*]...

Stephen Sokolowski: I'm not bullish about DeFi either.

Laura Shin: Ah, really?

Stephen Sokolowski: Cross-chain bridges, how many times have you heard that word? Anybody who's, uh - who's listening.

Laura Shin: Along with the word hack.

Stephen Sokolowski: Yes.

Laura Shin: Right, right. But you know, that - that's an even more nascent technology so, *um*, we'll have to see how that plays out. But, all right, Steve, well, it was a pleasure reconnecting with you. Thank you so much for sharing your experience.

Stephen Sokolowski: Thank you.